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C O N F I D E N T I A L AMMAN 000783

SIPDIS

PASS TO USTR - A/USTR CATHERINE NOVELLI

E.O. 12958: DECL: 01/29/2014

TAGS: [ETRD](#) [PREL](#) [IS](#) [JO](#)

SUBJECT: JORDAN, ISRAEL SEEK QIZ CONTENT OF EIGHT PERCENT FOR AN INDEFINITE PERIOD

REF: AMMAN 686

Classified By: DAVID M. HALE, CDA. REASONS 1.5 (B.D)

1. (U) This is an action cable. See paras 7 - 9.

2. (SBU) Government of Jordan (GOJ) Deputy Prime Minister and Minister of Industry and Trade January 29 delivered a package to the Ambassador containing a letter addressed to USTR Zoellick informing the USG that Israel and Jordan have reached an agreement on the specified Israeli content in products manufactured in Qualifying Industrial Zones (QIZs) under the FTA. In an agreed letter to be signed by both DPM Halaqa and Vice Prime Minister Ehud Olmert, they state that they will be "maintaining the 8 percent Israeli content." No period for the length of the agreement is stated. GOJ Ministry of Industry and Trade has delivered to Israeli counterparts in Tel Aviv via express courier the letter Halaqa has signed; VPM Olmert is expected to initial the letter as early as January 30. (Embassy is faxing copy of the draft letter from Halaqa and Olmert to NEA/ARN and Embassy Tel Aviv.)

INDEFINITE AGREEMENT LIKELY TO HOLD

3. (C) Amer Hadidi, a senior MOIT official, explained January 29 that the agreement is indefinite in length by mutual agreement. He stated that both sides are satisfied with the agreement on the technical trade terms. Because of "turbulence in the political relationship," the agreement will probably remain unchanged, he added. He said that he did not foresee either side returning to the negotiating table on QIZ content anytime soon, if at all.

4. (SBU) The letter requests that USTR Zoellick approve the proposal. (NOTE: This follows the terms of the U.S.-Israeli Free Trade Agreement Law, as amended in 1996, which governs this QIZ provision. END NOTE.) "It is our intention that it (the agreement) will enter into force after your approval," the letter to USTR concludes.

PLANS TO CONTINUE QIZ'S WITHOUT INTERRUPTION

5. (C) Hadidi said that a GOJ draft version of the letter had proposed entry into force "immediately" after USTR's approval. However, the Israelis asked to drop the reference to "immediately", explaining that the GOI would have to take one final step of reviewing and approving any USTR-sanctioned agreement. Hadidi confirmed that Jordan is prepared to continue with the 8 percent Israeli content specification without interruption. (COMMENT: Given the current political irritants, if USTR is prepared to approve, any USG action to quickly finalize the agreement is strongly recommended. END COMMENT.)

6. (SBU) In the meantime, manufacturers have been awarded QIZ product approvals that last 12 months; there is little prospect QIZ operations will be severely hampered. In addition, January has seen an uptick in the number of QIZ products approved, an indication that QIZ factories have been making contingency plans to keep their production lines going.

ACTION REQUESTS:

7. (SBU) FOR TEL AVIV: Hadidi stated that the GOJ has asked the GOI to forward the signed letter to Embassy Tel Aviv for final transmission to Washington. The GOJ will be on an extended Eid holiday until February 8, and would not be able to follow through in a timely fashion. To avoid the uncertainties of a lapsed QIZ Israeli content agreement, we request that Embassy Tel Aviv follow up with Israeli counterparts immediately, and secure a signed letter as soon as possible for transmission to Department.

8. (SBU) If USTR approves this agreement, post requests that Embassy Tel Aviv press for the GOI's final approval of the USTR-sanctioned deal as soon as possible.

9. (SBU) FOR DEPARTMENT: Embassy strongly recommends USTR's immediate approval of this agreement and urges

Department to use all means possible to secure and send a
reply soonest.
HALE